

Message Text

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ACTION COME-00

INFO OCT-01 ARA-10 IO-13 ISO-00 AGRE-00 CEA-01 CIAE-00

DODE-00 EB-08 FRB-03 H-01 INR-10 INT-05 L-03

LAB-04 NSAE-00 NSC-05 PA-01 CTME-00 AID-05 SS-15

STR-07 ITC-01 TRSE-00 USIA-06 SP-02 SOE-02 OMB-01

DOE-15 STRE-00 /119 W

-----073351 011415Z /43

R 311754Z MAR 78

FM AMEMBASSY MONTEVIDEO

TO SECSTATE WASHDC 6141

INFO USMISSION GENEVA

LIMITED OFFICIAL USE MONTEVIDEO 1063

USMTN

E.O. 11652: N/A

TAGS: ETRD, MTN, UY

SUBJ: USG HANDLING OF GOU AUTOMOTIVE EXPORT REQUIREMENT IN MTN

USMTN

REF: STATE 077506

1. REPRESENTATIVES OF LOCAL U.S. AUTO ASSEMBLY OPERATIONS (FORD AND GENERAL MOTORS) PROVIDED THE FOLLOWING DATA ON THE GOU EXPORT REQUIREMENT FOR AUTO AND COMMERCIAL VEHICLE ASSEMBLY OPERATIONS AND OFFERED SUGGESTIONS FOR TARGETS IN MTN FOR ADJUSTMENT OF THAT REQUIREMENT:

2. GOU DECREE 128/970 OF 1970 ESTABLISHED THE EFFECTIVE REQUIREMENT FOR AUTO ASSEMBLY FIRMS IN URUGUAY TO EXPORT URUGUAYAN PRODUCTS TO EARN THE FOREIGN EXCHANGE (FX) COVERING SOME PROPORTION -- DEFINED BY LATER DECREES -- OF THE COST OF THEIR IMPORTED AUTO COMPONENTS. DECREE 697/976 OF LIMITED OFFICIAL USE

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1976 ESTABLISHED THE PERCENTAGE OF THE FOREIGN EXCHANGE COSTS OF IMPORTS TO BE COVERED FOR EACH YEAR OF THE PERIOD 1977/79. FROM THE 1974 LEVEL OF 100 PERCENT, THE PERCENTAGE WAS TO BE RAISED TO 105 PERCENT IN 1977, 115 PERCENT IN 1978 AND 128 PERCENT IN 1979. COMMERCIAL VEHICLE COMPONENTS IMPORTED HAD LIKEWISE TO BE COVERED AT A LEVEL OF 40 PERCENT OF FOREIGN EXCHANGE COST DURING THE 1977/1979 PERIOD. GOU RATIONALE WAS

SIMPLY TO MEET THE INCREASING NEED FOR FOREIGN EXCHANGE AFTER THE DISASTROUS COMBINATION IN 1974 OF THE VIRTUAL CLOSING OF THE EUROPEAN MARKET FOR URUGUAYAN AND OTHER IMPORTED MEAT AND THE OPEC OIL PRICE RISES. FURTHER EMPLOYMENT AND URUGUAYAN VALUE ADDED TO EXPORTS WERE OTHER OBVIOUS OBJECTIVES. THE AUTO INDUSTRY HAD TO ACCEPT DISCRIMINATORY CONDITIONS: A) FOREIGN EXCHANGE MUST BE EARNED IN ADVANCE OF IMPORTS; AND B) EXPORT REBATES AVAILABLE TO OTHER INDUSTRIES ARE GIVEN TO THE AUTO INDUSTRY AT ONLY 40 PERCENT OF THE NORMALLY APPLICABLE RATE. NO OTHER INDUSTRY IS REQUIRED TO COVER IMPORTS IN A SIMILAR WAY.

3. BOTH REPRESENTATIVES OF U.S. OPERATIONS HERE INDEPENDENTLY SUGGEST THAT THE U.S. BARGAINING TARGET SHOULD BE THE SUSPENSION OF THE APPLICATION OF THE 128 PERCENT FX COVERAGE IN 1979 AND A REVERSION TO THE FORMER 100 PERCENT REQUIREMENT. BOTH BELIEVE THE POLITICS OF GOING FURTHER UNDER CURRENT CONDITIONS WOULD RUN COUNTER TO THEIR INTERESTS.

4. THE GOU MAY BE WILLING TO DISCUSS THIS EXPORT REQUIREMENT SIMPLY BECAUSE CURRENT GOU ECONOMIC POLICY MAKERS ARE AWARE OF THE ADDED COST TO THE URUGUAYAN CONSUMER OF THE EXPORT REQUIREMENT. ACCORDING TO FORD AND GM DATA, APPROXIMATELY ONE THIRD OF THE VALUE OF THE EARNED FX HAS TO BE ADDED TO THE COST OF THE ASSEMBLED VEHICLE IN URUGUAY TO COVER LOSSES ON THESE EXPORT TRANSACTIONS.
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NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: EXPORTS, AUTOMOTIVE INDUSTRY, TRADE COMPLAINTS
Control Number: n/a
Copy: SINGLE
Draft Date: 31 mar 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
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Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D780142-0259
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From: MONTEVIDEO MTN
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Original Handling Restrictions: n/a
Original Previous Classification: n/a
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Page Count: 2
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Previous Handling Restrictions: n/a
Reference: 78 STATE 77506
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
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Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: N/A
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
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Secure: OPEN
Status: NATIVE
Subject: USG HANDLING OF GOU AUTOMOTIVE EXPORT REQUIREMENT IN MTN USMTN
TAGS: ETRD, UY, MTN
To: STATE
Type: TE
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Review Markings:
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